

FUND CERTIFICATION REQUIREMENTS PILOT PHASE

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Contact Details

The Gold Standard Foundation

Chemin de Balexert 7-9

1219 Châtelaine

International Environment House 2

Geneva, Switzerland

Tel: +41 22 788 70 80

Email: standards@goldstandard.org

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SUMMARY

The aim of the Gold Standard Fund Requirements is to provide a third-party verifiable investment management process to support investors measure, manage and maximise the sustainable development impacts of their investments.

These requirements define a process to measure impacts generated from investments. The data collected is different to environmental social, governance (ESG) risk criteria since impact measurement and management minimises risks through the measurement of the actual outcomes at the level of the investee. Impact management requires the Fund to define an investment strategy that delivers both financial and positive social and environmental change and can be used to enhance financial and ESG data since they are two different types of metrics.

1. FUND DESIGN & ESTABLISHMENT

This section refers to the process of establishing and documenting the Sustainable Development impact goals of the Fund, and providing an outline of the process of monitoring and adjusting as needed to maximise the ability of the Fund, to reach those established goals in an integrated way before the Fund begins operations.

1.1. The Fund shall define their **Impact Goals** that will define clear and direct **contribution** to sustainable development, as per [GS4GG Principles and Requirements](#)

1.1.1. Direct contribution to sustainable development is defined as making demonstrable, positive sustainable development impacts to contribute to at least 3 of the Sustainable Development Goals, one of which shall be SDG 13 (defined herein as Emissions Reductions or Removals and/or Adaptation to climate change).

1.2. The Fund shall generate a written **Impact Strategy, that is integrated into the Fund investment strategy**, describing how the Fund will; meet the defined Impact Goals, monitor progress, and adjust based on interim results. The components of the Impact Strategy shall include at a minimum:

1.2.1. Component 1: An overt **statement** that the goal of the Fund is to focus on contributions to the achievement of meaningful positive SDG impacts while addressing any negative impacts that are expected or may emerge.

- 1.2.2. Component 2: Details of the Fund's organisational **governance** to ensure SDG Impact Goals are being supported robustly throughout the organisation.
- 1.2.3. Component 3. A description of the **roles and responsibilities** of the funds staffing. Performance incentives offered that are linked to meeting the Impact Goals of the Fund shall be disclosed. *(This will be in line with the GOVERNANCE Section detailed in this document)*
- 1.2.4. Component 4: A review and classification of the objectives of the fund shall be conducted to assess all positive and negative impacts and classify impacts according to the **Impact Management Project ABC Classification** (Avoid Harm, Benefit Stakeholders, Contribute to Solutions)
- 1.2.5. Component 5 There shall be a description of the **impact assessment process** that will occur throughout the life of the fund.
 - 1.2.5.1. The Impact assessment shall be ongoing and regular during the full life of the Fund. It must begin once more than 10% of planned assets for a tranche or full fund (lesser of the two) are invested.
 - 1.2.5.2. This assessment shall monitor any difference (+/-) between the ex-ante estimates and the actual results in the same way that ongoing financial performance is monitored regularly.
- 1.2.6. Component 6: The Fund shall describe the **due diligence process** that the Fund will follow to:
 - 1.2.6.1. Identify baselines for impact assessment, determine where improvements may be made, and outline a process to ensure that those improvement strategies are followed during the Implementation phase of the Fund's life.
 - 1.2.6.2. Screen potential investees to maximise the likelihood of delivering the defined Impact Goals
 - 1.2.6.3. Assess potential investees for good governance processes that include transparency, inclusiveness, [gender sensitivity](#), as well as those that are further outlined in the [GS4GG Safeguarding Principles and Requirements](#)
 - 1.2.6.4. Establish internal mechanisms that ensure the processes detailed in the due diligence and impact assessment processes will be met.
 - 1.2.6.5. Clarify that the fund will take the following steps if an investment is initially not fully compliant with GS4GG Safeguards:
 - Identify any non-compliances and
 - Publish a timebound plan for closing the gaps, with milestones to be met as interim goals, and
 - Determine in advance what actions shall be taken if the gaps are not closed within the timeframes developed.
 - 1.2.6.6. Assess all potential positive and negative impacts through Fund investment to determine what, if any, impacts may accrue from the activities of the investee and to avoid unintended negative

consequences. Negative impacts shall be assessed using [GS4GG Safeguarding Principles and Requirements](#). The assessment shall provide details that are commensurate with the size of the investment planned.

1.2.6.7. The Fund shall detail how the **safeguarding approach** as well as how ex-ante assessments of anticipated impacts will be conducted while discussing risk and mitigation strategies to avoid missing impact targets or overstating planned impacts. If the potential investees are not following best practices, the Fund may provide support to facilitate the investees progress toward best practices.

1.2.6.8. The Fund may supply Technical Assistance to help achieve its Impact Goals via subsidies or embedding consideration of those costs into their anticipated returns

1.2.7. Component 7: The Fund shall detail the **exit strategies** for investments, with particular attention to ongoing contributions to Sustainable Development post exit. The exit plans shall include transition strategies (including time to exit) and provide a discussion of how a “Do No Harm” approach will be applied.

1.2.7.1. Note that the Do No Harm approach shall be applied and assessed across all impacts, not only those that are intended impacts of the Fund.

1.2.7.2. Note that exit strategies may include continued engagement via a new fund with the caveat that ongoing impact assessment shall be included, even if the new investment vehicle is not an “Impact Fund”.

2. GOVERNANCE

This section outlines governance requirements for the Fund, as well as how the pilot for Fund Certification under GS4GG will be governed.

2.1. Fund Governance

2.1.1. The full enterprise (not just the specific Fund) shall follow safeguarding actions as per the [GS4GG Safeguarding Principles and Requirements](#). The enterprise shall have 2 years after design certification of the fund to comply with this requirement. The enterprise shall make a public statement about its intent to establish the fund and to define the SDG Impact Goals set for the fund.

2.1.2. The Fund shall have active oversight from its governing bodies (depending on structure, the board and/ or the investment committee) of matters relating to:

2.1.2.1. Organisational culture

2.1.2.2. Policies on respect for human rights and other responsible business and impact management policies, including its grievance

- and reparation mechanisms for affected Stakeholders (including, for the avoidance of doubt, whistleblowing safeguards)
- 2.1.2.3. Performance to and conformance (including progress on and process for continuous improvement) with its responsible business policies and practices
- 2.1.2.4. Process of Stakeholder identification and involvement in decision making
- 2.1.2.5. Stakeholder complaints and remedial actions taken (ensuring no instances of adverse findings without adequate remedies being in place)
- 2.1.2.6. Relevant and material sustainable development issues, including risks and opportunities
- 2.1.2.7. Purpose and approach to creating sustainable long-term value, impact strategy (including its impact risk appetite and tolerance), portfolio level impact goals and investment strategy and the compatibility of its impact strategy and portfolio level Impact Goals with its investment strategy (including its financial return targets and financial risk appetite and tolerance)
- 2.1.2.8. Performance to and conformance with its impact management policies and practices and progress against its portfolio level Impact Goals and investment level impact targets and related relevant SDG and/or other sustainable development outcome thresholds, baselines and counterfactuals
- 2.1.2.9. Ensuring adequate budget and resources to manage required Stakeholder involvement effectively and deliver its impact strategy and portfolio level Impact Goals effectively and in a timely manner
- 2.1.2.10. Impact and sustainable development related disclosures and external reporting
- 2.1.3. The Fund shall have governing bodies (depending on structure, the board and/or the investment committee) that:
 - 2.1.3.1. Have competencies concerning sustainable development issues and impact management
 - 2.1.3.2. Prioritise diversity (gender and other) as demonstrated by composition and culture, including openness to hearing and including different voices and perspectives in decision making
 - 2.1.3.3. Hold the CEO/Managing Director accountable for the Fund positively contributing to sustainable development and the SDGs, including operating in accordance with its culture, responsible business and impact management policies and practices and delivering on its strategy, including its impact strategy and portfolio level impact goals
 - 2.1.3.4. Meet the national minimum corporate governance standards, as appropriate
- 2.1.4. The Fund (and any parent and/or holding company) shall have policies, practices, and performance relating to corporate governance, and respect for human rights and other responsible business practices

that are consistent with GS4GG Requirements.

3. ELIGIBLE INVESTORS & INVESTMENTS

This section discusses eligible activities, Investors, and Investees in a Fund. Guidance on projects that are known to be ineligible for Gold Standard certification is provided as a separate document.

- 3.1. There is no exclusion for eligible Investors in the Fund.
- 3.2. The Fund shall establish an investment Exclusion List that supports reaching the Impact Goals set for the fund. Beyond the ineligible activities/investments noted in GS4GG, there are no limits, except as established by the Fund on Investees. Each Fund is free to add to the exclusion list in ways that support reaching the Impact Goals set, but there is no requirement to do so.
- 3.3. The possible investments the Fund may make shall fall in the definitions of the GS4GG Principles and Requirements with particular attention to ineligible categories. See [GS4GG Principles and Requirements](#) Sections 4.1.3 - 4.1.7.
 - 3.3.1. Technologies that have SDG co-benefits (e.g., mineral sequestration enhancement) may be GS4GG eligible if prior approval from Gold Standard is sought. Such approaches must robustly apply the precautionary principle - where outcomes are uncertain or unknown, and may result in significant harm to SDGs, the technology or approach will not be Gold Standard certification eligible, and the investment shall be excluded from the fund.
 - 3.3.2. The Fund shall publish a list of geoengineering technologies they have invested in (technologies, not Investees).

4. INVESTMENTS

This section focuses on the processes the Fund shall follow in determining what investments they will make, how to ensure the GS4GG safeguards are met and how they will complete and document ongoing monitoring of the performance against the established Impact Goals of the fund.

- 4.1. Safeguarding
 - 4.1.1. [GS4GG Safeguarding Principles and Requirements](#), approved [methodologies](#) and/or Gold Standard [SDG Tools](#) shall be applied for calculation of Impact Goals.

- 4.1.2. In addition to [GS4GG Safeguarding Principles and Requirements](#), safeguarding shall be put in place for ensuring the full Rights of Children.
 - 4.1.2.1. Note this is more extensive than prohibiting Child Labor and shall include reference to "[The Children's Rights and Business Principles](#)" developed by UNICEF, The Global Compact and Save the Children.
- 4.2. Stakeholder Consultations
 - 4.2.1. [GS4GG stakeholder consultation requirements](#) shall be applied. The Fund shall map Investors to the fund as stakeholders.
 - 4.2.2. The Fund shall require that investees follow [GS4GG stakeholder consultation requirements](#) and be prepared to present resources to support investees as needed in this process, including Technical Assistance. (See FUND DESIGN & ESTABLISHMENT Section).
- 4.3. Due Diligence and Investee Screening
 - 4.3.1. Follow (and document) the screening steps defined in the Impact Strategy for each potential investment.
 - 4.3.1.1. Retain records of all investments made and those that were considered & rejected.
 - 4.3.2. Ensure that Technical Assistance is provided to investees in line with the needs identified in screening/due diligence.
 - 4.3.2.1. Specifically, the ability of investees to deliver the necessary data to support impact assessment and GS4GG requirements shall be noted.
 - 4.3.2.2. If Technical Assistance is needed, detail how it will support an improved ability to meet goals.

5. IMPLEMENTATION

This section discusses the requirements for regular and ongoing monitoring of investments against the stated Impact Goals, the need for documentation of the processes of monitoring, the relationship that a fund may have regarding issuance of carbon or other "credits" that may monetise impact. It stresses the need for an ongoing assessment of the impacts of the Fund that shall be completed on at least the same level as ongoing assessment of financial performance.

- 5.1. The Fund will conduct ongoing measurement of outputs, assessment of progress toward impacts and demonstration of compliance with activities identified in the FUND DESIGN & ESTABLISHMENT Section.
- 5.2. Impact assessment and adjustment shall follow appropriate and pre-determined pathways defined in the FUND DESIGN & ESTABLISHMENT section to quantify and assess impacts regularly & consistently.

- 5.2.1. Internal assessments shall be undertaken no less frequently than annually.
- 5.2.2. Document how feedback has been incorporated from each investment into future due diligence and Investee screening efforts of the Fund.
- 5.3. Carbon credits cannot be issued under the Fund Certification pathway, they must be pursued independently via GS4GG Project Certification.
 - 5.3.1. If the Fund wishes to require or receive benefit from GS4GG project certification of Investments with a goal of issuing credits, the due diligence process shall ensure that any issues of Free Prior and Informed Consent (FPIC) and revenue sharing with the Investee and their stakeholders are addressed in advance. Investees will be expected to document and disclose those processes and results if they pursue certification of outputs.
 - 5.3.2. Note that the Fund is prohibited from acting as the first owner (Project Developer) of any monetised credits.
- 5.4. The Fund shall document how and if they make changes to either their investment or any other aspect of the allocations, Fund strategy etc. based on regular assessment of progress to meet the identified Impact Goals.

6. IMPACT CALCULATIONS

This section captures the processes that the Fund shall follow to ensure consistent assessment of impact and eventual development of impact statements.

- 6.1. During the due diligence process for each investment a baseline assessment shall be generated against the established SDG Impact Goals the Fund has set.
 - 6.1.1. This must be incorporated into the decision-making process and completed before a decision to invest or not has been made. This process shall be documented.
- 6.2. Impacts will be monitored using GS [approved methodologies](#) or the Gold Standard [SDG Tool](#) to assess the extent the investee has contributed to the intended positive impact outcome minus any negative impacts.
- 6.3. If there are new methodologies that the Fund wishes to bring forward these shall be presented for Gold Standard review and approval before they are incorporated into the operation of the Fund.
 - 6.3.1. If the proposed methodology is not currently approved under Gold Standard a full description of its applicability, impact quantification and ongoing monitoring shall be included. When applicable, the Fund shall use methodologies that are already recognised by other ISEAL member

standards as they have been reviewed for inclusivity and rigor in the development process.

- 6.4. Baseline assessments shall be conducted for all positive and negative impacts. For negative impacts (realized or anticipated) (see Section 4.1.19 - 4.1.23 of the [GS4GG Principles and Requirements](#)) mitigation strategies shall be presented.
- 6.5. Impact reporting shall occur at the same frequency as financial reporting and shall detail both positive and negative impacts of the investment/Investee.
- 6.6. Any Impact Claims made by the Fund must follow [Gold Standard Claims Guidelines](#).

7. IMPACTS STATEMENTS/CLAIMS

The requirements for the presentation and use of Impact Statements that reference the Impact Goals of the Fund are documented in the [Gold Standard Claims Guidance](#).

8. GOVERNANCE OF THE PILOT PHASE

- 8.1. The Fund shall follow the established rules of the GS4GG in compliance with ISEAL requirements and any other internal processes Gold Standard determines are appropriate.
- 8.2. These Requirements for Fund Certification will be first tested as a pilot programme and subject to the rules for piloting as stated by Gold Standard and in compliance with ISEAL guidance.
- 8.3. Due to the nature of the questions being addressed in the impact investing community, part of the post pilot process will include a determination of the frequency of updating the Requirements for Fund Certification, which will be on a more frequent basis compared to other GS4GG Requirements. This will allow uptake of best practices as most appropriate and ensure ongoing effectiveness and pertinence of Gold Standard for the Global Goals and its various applications.